Indiana Community Business Credit Corporation

Financial Statements

Years Ended December 31, 2006 and 2005

BGBC Partners, LLP

Strength in numbers.

Indiana Community Business Credit Corporation

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BGBC Partners, LLP

Certified Public Accountants
and Business Consultants

Independent Auditors' Report

Board of Directors and Shareholders
Indiana Community Business Credit Corporation
Indianapolis, Indiana

We have audited the accompanying balance sheets of **Indiana Community Business Credit Corporation** (the "Company") as of December 31, 2006 and 2005, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Indiana Community Business Credit Corporation** as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BGBC Partners, LLP

March 1, 2007

Strength in numbers.

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Indiana Community Business Credit Corporation

Balance Sheets

December 31, 2006 and 2005

	2006	2005
Assets		
Cash and cash equivalents	$ 32,415	$ 515,326
Commercial loans	10,441,553	9,603,182
Less allowance for loan losses	(295,414)	(519,884)
Loans, net (Note 2)	10,146,139	9,083,298
Accrued interest receivable	97,566	84,609
Loan fees, net	35,699	37,320
Deferred income taxes (Note 3)	179,270	236,070
Income taxes receivable	35,960	161,590
	$ 10,527,049	$ 10,118,213
Liabilities and Shareholders' Equity		
Liabilities:		
Notes payable (Note 4)	$ 6,883,105	$ 6,684,287
Accrued interest payable	121,134	99,269
Accounts payable and other liabilities	267,114	153,692
Deferred transaction fees	77,453	66,225
	7,348,806	7,003,473
Shareholders' equity:		
Common stock, no par value; 2,000 shares authorized, 607 shares issued and outstanding	1,301,584	1,301,584
Retained earnings	1,877,709	1,814,206
Treasury stock, 3 shares at cost	(1,050)	(1,050)
	3,178,243	3,114,740
	$ 10,527,049	$ 10,118,213

See accompanying notes to financial statements.

Indiana Community Business Credit Corporation

Statements of Income

Years Ended December 31, 2006 and 2005

	2006	2005
Interest income:		
Interest income on loans	**$ 1,157,744**	$ 837,480
Variable transaction fees	**723,439**	768,453
	1,881,183	1,605,933
Interest expense	**507,254**	359,401
Net interest income	**1,373,929**	1,246,532
Provision for loan losses (Note 2)	**808,000**	594,002
Net interest income after provision for loan losses	**565,929**	652,530
Noninterest expenses:		
Management contract fees	**348,437**	349,293
Professional fees	**97,189**	57,134
Total noninterest expense	**445,626**	406,427
Income before income taxes	**120,303**	246,103
Income tax expense (Note 3)	**56,800**	70,035
Net income	**$ 63,503**	$ 176,068

See accompanying notes to financial statements.

Indiana Community Business Credit Corporation

Statements of Changes in Shareholders' Equity

Years Ended December 31, 2006 and 2005

	Common Stock		Retained	Treasury Stock		
	Shares	Amount	Earnings	Shares	Amount	Total
Balance, January 1, 2005	607	$ 1,301,584	$ 1,638,138	3	$ (1,050)	$ 2,938,672
Net income	-	-	176,068	-	-	176,068
Balance, December 31, 2005	607	1,301,584	1,814,206	3	(1,050)	3,114,740
Net income	-	-	63,503	-	-	63,503
Balance, December 31, 2006	607	$ 1,301,584	$ 1,877,709	3	$ (1,050)	$ 3,178,243

See accompanying notes to financial statements.

Indiana Community Business Credit Corporation

Statements of Cash Flows

Years Ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Net income	**$ 63,503**	$ 176,068
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	**56,800**	59,780
Provision for loan losses	**808,000**	594,002
Changes in assets and liabilities:		
Accrued interest receivable	**(12,957)**	(30,501)
Income taxes receivable	**125,630**	(185,690)
Loan fees, net	**1,621**	(6,751)
Accrued interest payable	**21,865**	39,021
Accounts payable and other liabilities	**113,422**	9,746
Deferred transaction fees	**11,228**	18,378
Net cash provided by operating activities	**1,189,112**	674,053
Cash flows from investing activities:		
Loans made to customers	**(3,754,837)**	(4,960,000)
Principal collected on loans	**1,883,996**	3,122,510
Net cash used in investing activities	**(1,870,841)**	(1,837,490)
Cash flows from financing activities:		
Proceeds from notes payable	**1,710,000**	1,998,763
Principal payments on notes payable	**(1,511,182)**	(320,000)
Net cash provided by financing activities	**198,818**	1,678,763
Net increase (decrease) in cash and cash equivalents	**(482,911)**	515,326
Cash and cash equivalents, beginning of year	**515,326**	-
Cash and cash equivalents, end of year	**$ 32,415**	$ 515,326
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	**$ 485,389**	$ 320,380
Cash paid during the year for taxes, net of refunds received	**$ (125,630)**	$ 195,945

See accompanying notes to financial statements.

1. Description of Business and Summary of Significant Accounting Policies

Indiana Community Business Credit Corporation ("Company") is owned by Indiana banks ("Member Banks") and provides secondary and supplemental financing to small and medium-sized Indiana companies. All loans require participation by a Member Bank in an amount at least as great as the Company's participation. The Company typically takes a collateral position which is secondary to the Member Bank's position. All of the Company's notes payable, accrued interest payable, and interest expense are to Member Banks. Details are presented in Note 4.

The Company has a contract with Cambridge Capital Management Corp. ("CCMC") to provide staffing services. The contract renews automatically on an annual basis. The staffing services include consulting, loan packaging and servicing, office administration, and general and administrative expenses.

Interest Income

Interest income from loans is recognized when earned unless collection is doubtful. Interest does not accrue on doubtful accounts.

The Company can receive additional income from its borrowers to supplement interest income on loans receivable through provisions in loan agreements for variable transaction fees. The amount of these fees is determined by the timing of payment and the financial success of the borrower.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported therein and the disclosures provided. These estimates and assumptions may change in the future, and future results could differ. The estimate that is most susceptible to change in the near term is the allowance for loan losses.

Allowance for Loan Losses

The allowance for loan losses represents an amount that management estimates is adequate to provide for probable incurred losses in its loan portfolio. The ultimate outcome of this estimate is not known. Due to this uncertainty, it is at least reasonably possible that actual losses may be significantly different. Increases in the allowance are recorded as a provision for loan losses and charged to expense. In arriving at a judgment about the adequacy of the allowance, management considers the risk associated with the loans in its portfolio and the historical loan loss trends of similar business development companies. While management may periodically allocate portions of the allowance to specific loans, the whole allowance is available for any loan charge-offs that occur. A loan is charged off by management as a loss when deemed uncollectible, although collection efforts continue and future recoveries may occur.

Loans are considered impaired if full principal or interest payments are not anticipated. Impaired loans are carried at the present value of expected cash flows discounted at the loan's effective interest rate or at the fair value of the collateral if the loan is collateral-dependent. A portion of the allowance for the loan losses is allocated to impaired loans.

Loan Fees

Loan fees, net of direct origination costs, are deferred and amortized on a straight-line basis over the life of the loan as a part of interest income.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standard No. 109 ("SFAS 109"). SFAS 109 provides for current and deferred tax liabilities and assets using an asset and liability approach. (See Note 3.)

Deferred income taxes arise from temporary differences between income tax and financial reporting and principally relate to the recognition of loan reserves and deferred loan costs and income.

Cash and Cash Equivalents

The statement of cash flows has been prepared using a definition of cash and cash equivalents that includes deposits with original maturity of three months or less.

2. Commercial Loans and Allowance for Loan Losses

The allowance for loan losses consists of the following activity:

	2006	2005
Balance, January 1	**$ (519,884)**	$ (799,234)
Provision for loan losses	**(808,000)**	(594,002)
Charge-offs	**1,032,470**	876,350
Recoveries	**-**	(2,998)
Balance, December 31	**$ (295,414)**	$ (519,884)

At December 31, 2006 and 2005, the balance of impaired loans totaled $175,032 and $706,993, respectively. No interest income was recognized from impaired loans during 2006 or 2005. Of the total allowance for loan losses, $70,013 and $420,630 have been allocated to impaired loans at December 31, 2006 and 2005, respectively. The average balance of impaired loans during 2006 and 2005 was $441,013 and $1,026,991, respectively.

In 2004, the Company, along with certain entities affiliated through common management staffing services, purchased certain loans at a discount from a third party. In May 2006, the Company and the other entities sold the notes at a discount to a third party. Proceeds from the sale were allocated between the entities, and the Company's remaining outstanding balance of $391,498 was charged off.

At December 31, 2006 and 2005, the Company had unfunded commitments to originate loans of $1,142,617 and $1,868,360, respectively.

Investments were in the following industries at December 31:

	2006	2005
Manufacturing	**36.0%**	47.4%
Retail/Other	**27.4%**	16.4%
Services	**23.5%**	22.7%
Contractors	**13.1%**	13.5%

3. Income Taxes

Income tax expense consists of the following:

	2006	2005
Federal:		
Current	**$ -**	$ 3,072
Deferred	**43,430**	48,570
	43,430	51,642
State:		
Current	**-**	7,183
Deferred	**13,370**	11,210
	13,370	18,393
	$ 56,800	$ 70,035

Differences in the income tax expense for 2006 and 2005 from the federal statutory rate are primarily attributable to federal graduated tax rates and state income taxes. The components of deferred income tax assets consist of the following at December 31:

	2006	2005
Allowance for loan losses	**$ 124,970**	$ 220,950
Loan fees, net	**(15,170)**	(15,860)
Carryforward loss, federal	**57,590**	24,780
Carryforward loss, state	**11,880**	6,200
Total deferred income tax assets	**$ 179,270**	$ 236,070

At December 31, 2006, the Company had federal and state net operating loss carryforwards, which expire through the year 2026, of approximately $169,000 and $140,000, respectively.

4. Notes Payable

Notes payable consist of the following at December 31:

	2006	2005
Unsecured revolving credit notes with Member Banks. The interest rate is variable based on the Indiana Base Rate (8.25% and 7.25% at December 31, 2006 and 2005, respectively) and is payable semiannually. Upon written notice, a credit line may be terminated by either the Company or the Member Bank and would be due within three years after termination. Unused lines of credit were approximately $26,209,000 and $21,886,000 at December 31, 2006 and 2005, respectively.	**$ 5,173,105**	$ 6,684,287
Unsecured revolving demand credit note with a Member Bank. The interest rate is variable based on the JPMorgan Chase Bank prime rate (8.25% and 7.25% at December 31, 2006 and 2005, respectively) and is payable monthly. The unused portion of the line of credit was $1,290,000 and $3,000,000 at December 31, 2006 and 2005, respectively.	**1,710,000**	-
	$ 6,883,105	$ 6,684,287